

File

Great Britain and Canada Investment
Corporation

38th
ANNUAL REPORT
TO THE SHAREHOLDERS

For the Year Ended 31st December, 1966



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GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

(Incorporated under the Quebec Companies Act)

1245 SHERBROOKE STREET WEST, MONTREAL 25, QUEBEC

OFFICERS

W. A. ARBUCKLE, C.A.,
President

J. B. WOODYATT, D.C.L.,
Vice-President

C. L. LAROCK, F.C.I.S.,
Secretary-Treasurer

DIRECTORS

W. A. ARBUCKLE, C.A.	Montreal, Quebec
M. H. CRICHTON, O.B.E.	London, England
M. H. R. GOVETT	London, England
N. B. IVORY	Montreal, Quebec
A. DEANE NESBITT, O.B.E., D.F.C.	Montreal, Quebec
D. STEWART PATTERSON, O.B.E.	Montreal, Quebec
J. G. PHILLIMORE, C.M.G.	London, England
G. I. STEWART, C.B.E., C.A.	Edinburgh, Scotland
P. N. THOMSON.	Montreal, Quebec
J. B. WOODYATT, D.C.L.	Montreal, Quebec

MANAGERS

INVESTMENT SECRETARIAT LTD.

(a wholly-owned subsidiary of Arbuckle, Govett & Co. Ltd.)

AUDITORS

TOUCHE, ROSS, BAILEY & SMART, CHARTERED ACCOUNTANTS

Montreal, Quebec

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

Montreal, 20th February, 1967.

To the Shareholders:

Your Directors present herewith the Thirty-eighth Annual Report of your Corporation for the year ended 31st December, 1966.

INCOME

Gross income of the Corporation amounted to \$980,905 compared with \$907,084 for the preceding year. Net profit amounted to \$781,583 and was equal to 54¢ per Common share after Preferred dividends of \$300,000, compared with 44¢ per Common share in 1965.

TOTAL NET ASSETS

The Corporation's net tangible assets, before deducting outstanding debentures, were valued at \$23,343,566 as at 31st December, 1966, compared with \$26,095,740 as at 31st December, 1965. Net asset value per Common share after deducting outstanding debentures and the Preferred shares at a redemption price of 105%, amounted to \$17.31 and \$19.81 respectively. Your attention is drawn to the List of Investments incorporated in this Report.

DEBENTURES

On 1st December, 1966, the outstanding \$2,000,000 5% Collateral Redeemable Debentures became due and were repaid. On the same date \$1,500,000 5½% Income Debentures due 1st December, 1971, were sold at par. Under the Income Tax Act interest paid on these Income Debentures will not be allowed as a deduction from the Corporation's taxable income. On the other hand, corporate holders of such Debentures will be deemed to receive the interest as a dividend and may deduct this dividend from taxable income. These tax considerations permitted the Corporation to raise funds at an interest cost per annum of 1½% to 2% less than it would have had to assume on conventional debentures such as were issued in the past. The additional income tax to be paid by the Corporation will be relatively small and an overall saving will be realized through this form of refinancing.

INVESTMENT RESERVE

Changes in the investment holdings effected during the year resulted in a surplus over book cost of \$19,241 which amount was credited to Investment Reserve.

Legal expenses of \$3,836 incurred in connection with the new Debenture issue reduced the said credit to \$15,405.

DIVIDENDS

Dividends totalling \$300,000 were declared payable on the Preferred shares. A regular dividend of 40¢ and a bonus dividend of 5¢ per share were paid on the Common shares, an increase, in total over last year, of 3¢ per share.

OUTLOOK

Markets in Canada have followed closely the trend of Wall Street. Favourable factors for 1967 are the easing of credit and the fairly general firming of commodity prices. Increasing activity in the mining and petroleum industries, the pressing need for additional housing starts in view of the rising rate of family formations and the long anticipated passing of the Bank Act presage greater confidence in Canadian equities. Inflationary pressures continue and the forces underlying the long term upward trend should again assert themselves as the various imbalances in Canada's economy are corrected.

AUDITORS

The books and accounts of your Corporation have been audited by Messrs. Touche, Ross, Bailey & Smart, Chartered Accountants, whose report is attached.

ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders will be held on 27th April, 1967. Holders of the Corporation's Preferred shares are not entitled as such to Notice of the Meeting nor to attend or vote thereat.

Respectfully submitted on behalf of the Board,

W. A. ARBUCKLE,
President.

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31ST DECEMBER, 1966

	1966	1965
INCOME FROM INVESTMENTS	\$ 980,905	\$ 907,084
Withholding taxes, deducted at source	22,775	23,923
	<u>958,130</u>	<u>883,161</u>
Management expenses (Note 5)	59,363	61,588
Other expenses	3,470	3,046
Income and other taxes	14,060	15,560
Interest	99,654	105,762
	<u>176,547</u>	<u>185,956</u>
NET INCOME.	781,583	697,205
Retained earnings at beginning of year.	1,578,102	1,558,117
	<u>2,359,685</u>	<u>2,255,322</u>
Dividends on Preferred shares	300,000	300,000
Dividend on Common shares	404,164	377,220
	<u>704,164</u>	<u>677,220</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$1,655,521</u>	<u>\$1,578,102</u>

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER, 1966

	1966	1965
CURRENT ASSETS:		
Cash	\$ 143,904	\$ 103,893
Short term deposits	—	550,000
Accounts receivable	41,060	98,439
Accrued income on investments.	150,788	153,923
	<u>335,752</u>	<u>906,255</u>
CURRENT LIABILITIES:		
Preferred dividend payable	75,000	75,000
Account payable and accrued expenses.	99,642	773
Accrued debenture interest	6,875	8,333
Provision for income taxes	3,776	5,817
	<u>185,293</u>	<u>89,923</u>
NET CURRENT ASSETS	<u>150,459</u>	<u>816,332</u>
INVESTMENTS AT MARKET VALUE (Note 1)	<u>23,193,107</u>	<u>25,279,408</u>
	<u>23,343,566</u>	<u>26,095,740</u>
FUNDED DEBT (Note 2)	<u>1,500,000</u>	<u>2,000,000</u>
SHAREHOLDERS' EQUITY	<u>\$21,843,566</u>	<u>\$24,095,740</u>
REPRESENTED BY:		
Capital stock (Note 3)	\$ 6,898,143	\$ 6,898,143
Unrealized appreciation of investments (Note 1).	5,201,594	7,546,592
Investment reserve (Note 4).	8,088,308	8,072,903
Retained earnings — per statement attached	1,655,521	1,578,102
	<u>\$21,843,566</u>	<u>\$24,095,740</u>

Signed on behalf of the Board of Directors:

W. A. ARBUCKLE, *Director.*

JAS. B. WOODYATT, *Director.*

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AS AT 31ST DECEMBER, 1966

NOTE 1. INVESTMENTS AT MARKET VALUE:

	1966	1965
Securities valued on the basis of available Stock Exchange prices or estimated fair values.	\$23,193,107	\$25,279,408
Securities at book value	<u>17,991,513</u>	<u>17,732,816</u>
Difference included in Shareholders' Equity as unrealized appreciation of investments	<u>\$ 5,201,594</u>	<u>\$ 7,546,592</u>

NOTE 2. FUNDED DEBT:

	1966	1965
5½% Income Debentures, due 1st December, 1971,— Authorized and issued	<u>\$ 1,500,000</u>	<u>\$ —</u>
5% Collateral Redeemable Debentures, due 1st December, 1966,— Authorized and issued	<u>\$ —</u>	<u>\$ 2,000,000</u>

NOTE 3. CAPITAL STOCK:

	1966	1965
Preferred shares,— 5% Cumulative, redeemable of \$50 par value — Authorized and issued — 120,000 shares	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Common shares of \$1 par value — Authorized — 1,497,843 shares Issued — 898,143 shares	<u>898,143</u>	<u>898,143</u>
	<u>\$ 6,898,143</u>	<u>\$ 6,898,143</u>

The Preferred shares of \$50 par value are entitled to fixed cumulative preferential cash dividends at the rate of 5% per annum payable quarterly as and when declared by the Board of Directors on the first days of January, April, July and October and are redeemable at the option of the Corporation at any time in whole or from time to time in part, on not less than 30 days' notice, at \$52.50 per share or, in one restricted event, at \$50 per share, plus, in each case, accrued and unpaid dividends to the date of redemption. The shares may also be purchased in the open market or by private contract at prices not exceeding the redemption price of \$52.50 per share.

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS AS AT 31ST DECEMBER, 1966 (Continued)

NOTE 4. INVESTMENT RESERVE:

	1966	1965
Balance at beginning of year	\$ 8,072,903	\$ 7,253,089
Add: Surplus on changes in investments	19,241	818,908
Exchange profit on capital account	—	906
	<u>8,092,144</u>	<u>8,072,903</u>
Deduct: Legal expenses of new Debenture issue	3,836	—
Balance at end of year	<u>\$ 8,088,308</u>	<u>\$ 8,072,903</u>

NOTE 5. MANAGEMENT EXPENSES:

Directors' fees, included in management expenses, amounted to \$12,250 in 1966 and \$12,000 in 1965.

AUDITORS' REPORT TO THE SHAREHOLDERS OF GREAT BRITAIN AND CANADA INVESTMENT CORPORATION:

We have examined the accompanying statement of financial position of Great Britain and Canada Investment Corporation as at 31st December, 1966, and the statement of income and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and as shown by the books of the Corporation, the aforementioned financial statements, with notes thereto, present fairly the financial position of the Corporation as at 31st December, 1966, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Que., 31st January, 1967.

TOUCHE, ROSS, BAILEY & SMART,
Chartered Accountants.

GREAT BRITAIN AND CANADA INVESTMENT CORPORATION

LIST OF HOLDINGS AS AT 31ST DECEMBER, 1966

BONDS AND DEBENTURES (7.77%)

	Par Value or Number of Shares	Market Value
Alberta Gas Trunk Line Company Limited, The, 5¾%, Series "B", 1985.	\$120,000	\$ 105,600
British Columbia Molybdenum Limited, 5¾%, Series "A", 1976	210,000	193,200
Canadian British Aluminium Company Limited, 5¾%, Series "A", 1977.	200,000	179,000
Capital Management Limited, Non-Interest, 1981, and 932 Shares of Common Stock . . .	150,000	75,000
Gas Trunk Line of British Columbia Ltd., 6%, Series "A", 1981	100,000	93,000
Greater Winnipeg Gas Company, 5¾%, Series "A" (1958), 1978	97,000	89,240
Home Oil Company Limited, 6¼%, 1983	100,000	94,000
Industrial Acceptance Corporation Limited, 6¾%, 1980	145,000	137,750
Power Corporation of Canada, Limited, 5½%, 1977.	100,000	90,000
Quebec Natural Gas Corporation, Cdn. Series, 5¾%, 1985.	100,000	83,000
Quebec Natural Gas Corporation, 6%, Series "G", 1988	100,000	85,000
Rio Algom Mines Limited, 5¾%, Series "A", 1983	200,000	175,000
Simpsons-Sears Acceptance Company Limited, 6¾%, Series "B", 1980	100,000	99,000
Steelman Gas Limited, 6%, Series "A", 1973	35,000	30,800
Trans-Canada Pipe Lines Limited, Cdn. Series, 5.85%, 1987	200,000	178,000
Western Pacific Products & Crude Oil Pipelines Ltd., 6½%, Series "A", 1981.	100,000	95,500
		<u>\$1,803,090</u>

PREFERRED STOCKS (7.95%)

Capital Management Limited, 6%, of \$1	75,000	\$ 75,000
Columbia Cellulose Company, Limited, \$1.20, Conv., of \$25	8,000	149,040
Consolidated Paper Corporation Limited, 6%, 1966 Series, of \$25	15,000	360,000
Dominion-Scottish Investments Limited, 5%, of \$50	1,500	63,375
Husky Oil Canada Ltd., 6%, Series "B", of \$50.	4,000	192,000
Laurentide Financial Corporation Ltd., \$2, (Secondary), Conv., of \$38.	15,000	223,200
Newfoundland Light & Power Co. Limited, 5½%, Series "A", of \$10	7,000	61,250
Power Corporation of Canada, Limited, 6%, 2nd, Non-Cum., Partg., of \$5.	40,000	395,200
Quebec Natural Gas Corporation, 5½%, 1966 Series, of \$100.	2,000	178,000
Rio Algom Mines Limited, \$5.80, Series "A", of \$100	1,500	146,820
		<u>\$1,843,885</u>

COMMON STOCKS (84.28%)

	Number of Shares	Market Value
BANKS (10.21%)		
Bank of Montreal, of \$10	6,000	\$ 317,280
Banque Canadienne Nationale, of \$10.	2,425	121,856
Canadian Imperial Bank of Commerce, of \$10	6,000	348,780
County Trust Company, The, (White Plains), of \$5	5,000	151,200
First National Bank of Miami, The, of \$10	3,333	211,047
First National City Bank of New York, The, of \$13.50	4,000	240,840
Montreal City and District Savings Bank, The, of \$1	20,000	242,600
Royal Bank of Canada, The, of \$10	6,000	416,280
Security First National Bank (Los Angeles), of \$10	6,000	319,140
		<u>\$2,369,023</u>
BUILDING MATERIALS AND CONSTRUCTION (2.67%)		
Asbestos Corporation Limited, n.p.v.	10,000	\$ 202,500
Canada Cement Company, Limited, n.p.v..	2,925	104,218
Cassiar Asbestos Corporation Limited, n.p.v.	15,000	238,200
Mussens Limited, n.p.v..	12,000	75,000
		<u>\$ 619,918</u>
CHEMICAL (2.64%)		
Canadian Industries Limited, n.p.v..	20,000	\$ 307,600
Chemcell Limited, n.p.v.	10,000	126,300
Potash Company of America, of \$5.	3,000	177,390
		<u>\$ 611,290</u>
CONTAINERS (1.94%)		
American Can Company, of \$12.50.	4,000	\$ 203,040
Brockway Glass Company, Inc., Class "A", of \$5	6,000	247,860
		<u>\$ 450,900</u>
ELECTRICAL EQUIPMENT AND ELECTRONICS (2.69%)		
General Electric Company, of \$5.	2,000	\$ 191,160
International Business Machines Corporation, of \$5	615	246,750
Square D Company, of \$1.66 ⅔	9,000	187,110
		<u>\$ 625,020</u>
FOOD AND BEVERAGES (6.88%)		
Canada and Dominion Sugar Company, Limited, n.p.v..	15,000	\$ 307,500
Distillers Corporation-Seagrams Limited, of \$1.	10,000	333,800
Dominion Dairies Limited, n.p.v..	14,000	231,00
Federal Grain Limited, n.p.v.	30,000	183,900
Maple Leaf Mills Limited, n.p.v.	9,250	157,250
Molson Breweries Limited, Class "B", n.p.v..	20,000	382,600
		<u>\$1,596,050</u>
INSURANCE AND MORTGAGE (1.71%)		
Crédit Foncier Franco-Canadien, n.p.v.	4,100	\$ 219,350
Great-West Life Assurance Company, The, of \$1.	3,000	177,000
		<u>\$ 396,350</u>

COMMON STOCKS (84.28%) (Continued)

	Number of Shares	Market Value
INVESTMENT COMPANIES (5.67%)		
Canadian Power & Paper Securities Limited, n.p.v.	20,000	\$ 350,000
Dominion-Scottish Investments Limited, n.p.v.	60,000	585,000
Power Corporation of Canada, Limited, n.p.v.	40,000	380,000
		<u>\$1,315,000</u>

MERCHANDISING (0.91%)

Metropolitan Stores of Canada Limited, n.p.v.	12,000	\$ 210,000
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METALS AND MINING (8.76%)

Alcan Aluminium Limited, n.p.v.	18,000	\$ 546,840
British Columbia Molybdenum Limited, Share Purchase Warrants	8,000	46,000
Hudson Bay Mining and Smelting Co., Limited, n.p.v.	6,000	383,280
International Nickel Company of Canada, Limited, The, n.p.v.	5,000	474,400
Noranda Mines Limited, n.p.v.	7,000	346,500
Opemiska Copper Mines (Quebec) Limited, of \$1.	25,000	235,000
		<u>\$2,032,020</u>

OIL AND GAS (8.07%)

Amerada Petroleum Corporation, n.p.v.	4,000	\$ 331,560
British American Oil Company Limited, The, n.p.v.	15,000	487,500
Canadian Petrofina Limited, of \$10.	20,000	220,000
Hudson's Bay Oil and Gas Company Limited, of \$2.50	10,000	247,500
Louisiana Land and Exploration Company, The, of \$0.15	6,000	381,542
Texaco Canada Limited, n.p.v.	3,000	204,390
		<u>\$1,872,492</u>

PRINTING AND PUBLISHING (8.12%)

McCall Corporation, n.p.v.	5,665	\$ 159,073
Moore Corporation, Limited, n.p.v.	10,000	865,000
Southam Press Limited, n.p.v.	12,000	385,560
Sun Publishing Company Limited, Class "A", n.p.v.	20,000	472,600
		<u>\$1,882,233</u>

COMMON STOCKS (84.28%) (Continued)

	Number of Shares	Market Value
PUBLIC UTILITIES (5.03%)		
Alberta Gas Trunk Line Company Limited, The, Class "A", of \$5	4,300	\$ 130,634
Great Lakes Power Corporation Limited, n.p.v.	4,000	90,000
Houston Lighting & Power Company, n.p.v..	5,000	268,650
Houston Natural Gas Corporation, n.p.v.	4,000	225,202
Maritime Electric Company, Limited, n.p.v.	10,000	240,000
Northern and Central Gas Company Limited, n.p.v.	15,000	200,700
Quebec Natural Gas Corporation, 1966 Share Purchase Warrants	4,000	12,200
		<u>\$1,167,386</u>

PULP AND PAPER (9.31%)		
Anglo-Canadian Pulp and Paper Mills, Limited, n.p.v.	30,000	\$ 288,900
Consolidated Paper Corporation Limited, n.p.v.	12,000	459,000
Consolidated Paper Corporation Limited, Stock Purchase Warrants.	7,500	57,750
Fraser Companies, Limited, n.p.v.	12,000	258,000
MacLaren Power & Paper Company, Class "B", of \$2.50	12,000	280,560
Niagara Wire Weaving Company Limited, The, Class "B", n.p.v..	6,000	108,000
Niagara Wire Weaving Company Limited, The, n.p.v..	4,300	94,084
Price Company Limited, The, n.p.v.	50,000	612,500
		<u>\$2,158,794</u>

STEEL (1.74%)		
Steel Company of Canada, Limited, The, n.p.v.	20,000	\$ 402,600

TRANSPORTATION (3.44%)		
Canadian Pacific Railway Company, of \$25	5,000	\$ 273,750
New York Central Railroad Company, The, of \$1	3,500	258,930
Seaboard Air Line Railroad Company, of \$20	4,000	173,362
Southern Pacific Company, n.p.v.	3,000	90,720
		<u>\$ 796,762</u>

MISCELLANEOUS (4.49%)		
Famous Players Canadian Corporation, Limited, n.p.v.	20,000	\$ 670,000
Lep Group Limited, The, of £1	15,000	280,294
M.E.P.C. Canadian Properties Limited, n.p.v.	40,000	90,000
		<u>\$1,040,294</u>

LIST OF HOLDINGS AS AT 31ST DECEMBER, 1966

SUMMARY

	Market Value	Approx. Percent
BONDS AND DEBENTURES	\$ 1,803,090	7.77%
PREFERRED STOCKS	\$ 1,843,885	7.95%
COMMON STOCKS		
Banks	\$ 2,369,023	10.21%
Building Materials and Construction	619,918	2.67
Chemical.	611,290	2.64
Containers	450,900	1.94
Electrical Equipment and Electronics	625,020	2.69
Food and Beverages	1,596,050	6.88
Insurance and Mortgage	396,350	1.71
Investment Companies	1,315,000	5.67
Merchandising	210,000	0.91
Metals and Mining	2,032,020	8.76
Oil and Gas	1,872,492	8.07
Printing and Publishing	1,882,233	8.12
Public Utilities	1,167,386	5.03
Pulp and Paper	2,158,794	9.31
Steel.	402,600	1.74
Transportation	796,762	3.44
Miscellaneous.	1,040,294	4.49
	<u>\$19,546,132</u>	<u>84.28%</u>
TOTAL INVESTMENTS	<u><u>\$23,193,107</u></u>	<u><u>100.00%</u></u>

Market values of securities quoted in United States dollars and pounds sterling are expressed in Canadian funds, respectively, at 8% premium and \$3.02 to the £1.

TEN YEAR RECORD

EARNINGS

Year to 31st December	Total Gross Income	Expenses and Interest	Preferred Dividend per share	Preferred Dividend arrears per share	Earned per Common share (a)	Common Dividend per share (a)
	—000's omitted—					
1957.	\$554	\$138	\$13.50	\$29.00	\$0.29	\$ —
1958.	536	141	13.50	20.50	0.27	—
1959.	548	133	14.00	11.50	0.30	—
1960.	574	163	14.00	2.50	0.29	—
1961.	574	160	7.50	—	0.30	0.20
1962.	568	154	3.12	—	0.36	0.30
1963.	665	154	1.25	—	0.42	0.39
1964.	857	166	2.50	—	0.50	0.42
1965.	907	170	2.50	—	0.44	0.42
1966.	981	162	2.50	—	0.54	0.45

(a) Adjusted for 3 for 1 split.

(b) Old Preferred at \$105 per share in winding-up or dissolution plus arrears of dividend, where applicable; new Preferred at a redemption price of 105%.

(c) Old Preferred shares redeemed on 15th May, 1962, at \$100, plus accrued dividend 62¢, for a total consideration of \$1,994,490.

(d) 80,000 shares issued on 5th July, 1963.

(e) 40,000 shares issued on 29th December, 1964.

ASSETS

Total Net Assets Col. 1	Due to Debenture Holders Col. 2	Due to Preferred Shareholders Col. 3 (b)	Available for Common Shareholders Col. 4	Leverage Prior Charges to Common Cols. 2+3:4	Break-up value per Common share (a)	Montreal Stock Exchange Composite Index	Dow Jones Ind. Average
000's omitted							
\$11,881	\$2,500	\$3,170	\$6,211	48 52	\$6.92	80.5	435.69
14,964	2,500	2,828	9,636	36 64	10.73	100.2	583.65
14,148	2,000	2,563	9,585	32 68	10.68	101.5	679.36
14,402	2,000	2,275	10,127	30 70	11.28	98.0	615.89
17,868	2,000	2,086	13,782	23 77	15.35	124.3	731.14
15,531	2,000	— (c)	13,531	13 87	15.07	116.2	652.10
21,101	2,000	4,200(d)	14,901	29 71	16.59	129.1	762.95
25,986	2,000	6,300(e)	17,686	32 68	19.69	156.8	874.13
26,095	2,000	6,300	17,795	32 68	19.81	157.8	969.26
23,344	1,500	6,300	15,544	33 67	17.31	141.1	785.69

